Frequently asked questions

Franklin Global Trends Index℠

FRANKLIN TEMPLETON

What is the Franklin Global Trends Index?

A: A systematic multi-asset index using 10 asset-class-based ETFs that represent global markets. The ETFs are selected with a proprietary risk-sensitive, momentum-driven methodology. The portfolio is also designed to mitigate volatility to 5% by dynamically shifting to US Treasuries and cash when markets dictate.

What is the ticker symbol for the Franklin Global Trends Index?

A: FTGTREND

What is its asset allocation mix?

A: The index is designed to offer as much exposure to risky assets as possible without exceeding a volatility budget of 5% (standard deviation on an annualized basis). Similarly, in low-volatility environments, the index is designed to increase its exposure to risky assets in order to utilize the 5% volatility budget and to maximize growth opportunities.

The index has an unconstrained asset allocation mix. Total exposure of the 10 assets (listed below) can go up to 150% of notional value. There is no minimum threshold exposure to the 10 asset classes, meaning the index can be fully invested in cash if market conditions favor this type of allocation.

Cash is used in the portfolio in two ways: 1) as a de-risking asset when the fund's exposure to US Treasuries is insufficient to lower the portfolio's volatility to the 5% cap and 2) as a funding source to borrow and hold additional assets. The index has never been 100% invested in cash, but it did reach nearly 75% cash exposure, as recently as the COVID-19 drawdown in early 2020.

What are the key features of the Franklin Global Trends Index?

1. Potential exposure to a diversified basket of global assets.
2. Harnessing multiple types of asset-class momentum in order to determine portfolio allocations.
3. The use of a safety asset (US Treasuries) during times when assets fail to demonstrate any positive momentum.
4. Taking a risk-aware approach in order to limit exposure to rapid changes in momentum or reversals.

How was the 10 asset class universe selected?

A: These 10 asset classes represent our view of global asset class diversification, taking into consideration their historical correlation to one another and the ability to be traded via large, liquid, low-cost ETFs.

Is it possible these 10 asset classes would change and, if so, why?

A: Asset classes are periodically reviewed to determine eligibility for inclusion. It is unlikely that an existing asset would be removed from the investment universe, but it is possible that we may add additional assets going forward if those assets fit the inclusion criteria as described above.

What is the anticipated average exposure to the safety asset (US Treasuries)?

A: A challenge regarding the use of momentum to determine asset allocation is that there are times when no assets in the global market exhibit strong positive price trends. At these times, the index is designed to benefit from the use of a designated "safety asset," which is medium-duration US Treasuries—bonds that typically preserve their value or appreciate during these types of markets. Additionally, the index allocates to US Treasuries at times of high market volatility, as this prevents it from holding excessive amounts of cash, which has no meaningful return. Since its backtest inception, the index has allocated around 28% of its holdings to US Treasuries on average.

How often is the index rebalanced?

A: Instead of following a regular calendar cycle, the index rebalances only when it detects a large enough momentum shift—exceeding a predetermined threshold—across its investment universe.

What kind of drawdown[1] could be expected?

A: The historical maximum drawdown was -8.8% over a 15-year historical back test. This compares to a maximum drawdown of -56.8% for the S&P 500 Index over the same period.

What does the index construction entail?

1. **Assessment:** The index assesses the 10-month risk-adjusted momentum of each of the 10 asset classes.
2. **Ranking:** The 10 assets are ranked by their momentum and the top five constitute the investment basket. If fewer than five asset classes demonstrate positive momentum, the safety asset (US Treasuries) is included in the investment basket.
3. **Risk budgeting:** In order to determine each holding's risk budget, assets are compared on a cross-sectional momentum basis. Higher cross-sectional momentum yields a higher risk budget.
4. **Final weights:** An optimization process is utilized to determine final weights in accordance with an asset's momentum score and its risk budget.

Under what conditions might the index perform differently than the broader market?

A: Due to its potential exposure to a diversified basket of global assets, the index's performance will likely differ from any singular part of the global investment market. This is likely to persist across the market cycle.

Who administers the index?

A: The Franklin Global Trends Index is calculated and administered by Solactive.

What exposure does the index provide?

A: The index provides volatility-controlled exposure to a diverse array of 10 global asset classes:

Equity	Fixed Income	Alternatives
US	US High Yield	Real Estate
International	US IG Corp	Gold
Emerging Markets	US Aggregate	
	7-10Y US Treasuries	
	Emerging Market Debt	

It is not possible to invest directly in an index.

FRANKLIN TEMPLETON

For more information about the Franklin Global Trends Index℠:

(800) 481-8115

www.franklinglobaltrendsindex.com

Historical back-tested performance:[2]

	Franklin Global Trends Index	S&P MARC 5% Index	S&P 500® Daily Risk Control 5% Index
2005	3.29%	2.93%	-0.55%
2006	8.30%	4.69%	5.19%
2007	3.50%	8.40%	-0.26%
2008	3.89%	1.07%	-7.21%
2009	10.65%	6.91%	5.53%
2010	7.47%	13.18%	4.77%
2011	4.35%	11.18%	-0.89%
2012	10.53%	5.95%	3.55%
2013	-2.92%	-3.08%	11.93%
2014	6.33%	6.48%	3.71%
2015	-0.92%	-2.92%	-1.76%
2016	5.69%	4.32%	3.13%
2017	14.13%	10.71%	13.54%
2018	2.13%	-3.30%	-1.26%
2019	12.51%	13.70%	7.39%
2020	9.27%	8.28%	1.56%
2021	-1.44%	0.28%	8.49%

1. Monthly compounded return, net of all fees and expenses, representing the largest "peak to trough" loss sustained within a specified date range, including any temporary gains.
2. Sources: Bloomberg, S&P, Morningstar Direct. Backtested performance, which is hypothetical is subject to inherent limitations because it reflects application of an index methodology and selection of index constituents in hindsight. No theoretical approach can take into account all of the factors in the markets in general and the impact of decisions that might have been made during the actual operation of an index. Actual returns may differ from and be lower than backtested returns. The performance data does not reflect the deduction of any fees/charges and assumes reinvestment of interest or dividends. There can be no assurance that implementation of managed volatility strategies will produce desired results. The S&P MARC 5% (Multi-Asset Risk Control) Index is represented by the ticker symbol SPMARC5P. The S&P 500® Daily Risk Control 5% Excess Return (USD) Index is represented by the ticker symbol SPXT5UE.

IMPORTANT INFORMATION

It is not possible to invest directly in an index. There is no assurance that investment products based on the Index will accurately track index performance or provide positive investment returns. Inclusion of a security within an index is not a recommendation by Franklin or Solactive to buy, sell, or hold such security.

Any information, statement or opinion set forth herein is general in nature, is not directed to or based on the financial situation or needs of any particular investor, and does not constitute, and should not be construed as, investment advice, forecast of future events, a guarantee of future results, or a recommendation with respect to any particular security or investment strategy or type of retirement account. Individuals seeking financial advice regarding the appropriateness of investing in any securities or investment strategies should consult their financial professional.

The Franklin Global Trends Index℠ is owned by Franklin Templeton. References below to "Index" apply to Franklin Global Trends Index℠ and references below to "Licensor" apply to Franklin Templeton and its affiliates.

Licensor has licensed the Index to Eagle Life Insurance Company to be used as a component of certain fixed index annuity products (the "Products"). The Index may be calculated by a third party or contain third-party data, each third-party provider and Licensor are collectively "Licensor Parties". The Products are not sponsored, operated, endorsed, sold or promoted by Licensor Parties. The Index, the proprietary data therein, and related trademarks, are intellectual property licensed from Licensor, and may not be copied, used, or distributed without Licensor's prior written approval. The Products have not been passed on as to their legality or suitability, and are not regulated, issued, endorsed, sold, guaranteed, or promoted by Licensor Parties. Licensor Parties make no express or implied warranties, and hereby expressly disclaims all warranties of merchantability or fitness for a particular purpose with respect to the Index or any data included therein. Without limiting any of the foregoing, in no event shall Licensor Parties have any liability for any special, punitive, indirect, or consequential damages (including lost profits), even if notified of the possibility of such damages.

Fixed indexed annuities are insurance contracts, not registered securities or stock market investments. Fixed indexed annuities are not invested in the Index itself, but rather interest is credited based on the performance of the Index and the rules prescribed in the insurers index crediting strategy. Fixed indexed annuities are not issued by Franklin.

This information should not be relied upon as investment advice, research, or a recommendation by Franklin regarding (i) any products tied to the Index, (ii) the use or suitability of the Index, or (iii) any security in particular.

This material is strictly for illustrative and educational purposes and should not be construed as a recommendation to purchase or sell, or an offer to sell or a solicitation of an offer to buy any product or security or to use any index. There is no guarantee that any strategies utilizing the Index will be effective or successful. Multi-asset indices and diversification do not promise any level of performance, success, or guarantee against loss of principal. Any data for the period prior to index inception consists of pre-inception data calculated by retroactively applying the Index methodology. Simulated returns and pre-inception data are hypothetical and included for illustrative purposes only. Performance based on hypothetical returns prior to index inception and actual returns thereafter.

The Index is an excess return index. The Index levels represent performance in excess of the US Effective Fed Funds rate.

Back-testing and other statistical analysis material that is provided in connection with the Index use simulated analysis and hypothetical circumstances to estimate how it may have performed prior to its actual existence. The results obtained from "back-testing" information should not be considered indicative of the actual results that might be obtained from an investment or participation in a financial instrument or transaction referencing the Index. Neither Franklin nor Solactive provide assurance or guarantee that the products linked to the Index will operate or would have operated in the past in a manner consistent with these materials. The hypothetical historical levels have inherent limitations. Alternative simulations, techniques, modeling or assumptions might produce significantly different results and prove to be more appropriate. Actual results will vary, perhaps materially, from the simulated returns presented in this document.

The hypothetical performance information presented herein does not reflect the results of actual trading and calculation of the Index levels and performance do not reflect the fees and expenses that an investor would pay. These fees and expenses would cause the actual and back-tested performance of the Index to be lower. For example, if an investor invested $100,000 in an investment product that returned 10% ($10,000 in gains) over a 12-month period and was charged an asset-based fee of 1.5% at the end of the period on the investment plus gains (a $1,650 fee), the investor's net return would be 8.35% ($8,350). Over three years, an annual 1.5% fee taken at the end of each year with the same assumed 10% return per year would result in a cumulative gross return of 33.10% but a net return (after $5,375 in fees) of 27.2%.

WHAT ARE THE RISKS?

Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. Bond prices generally move in the opposite direction of interest rates. Thus, as the prices of bonds adjust to a rise in interest rates, the performance of the Index may decline. International investments are subject to special risks, including currency fluctuations and social, economic and political uncertainties, which could increase volatility. These risks are magnified in emerging markets. During times of extreme market volatility, the Index will not be able to eliminate market losses or capture all market gains.